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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15 USIA-06 SAB-01

SAM-01 NIC-01 AID-05 EB-04 CIEP-01 TRSE-00 STR-01

OMB-01 CEA-01 COME-00 FRB-01 XMB-02 OPIC-03 LAB-01

SIL-01 AF-04 NSA-01 /082 W

----- 092057

R 131415Z NOV 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 4571

C O N F I D E N T I A L TEL AVIV 6562

E O 11652: GDS

TAGS: ELAB, IS

SUBJECT: HISTADRUT SEEKS TO MODERATE IMPACT OF GOVT'S

NEW ECONOMIC PROGRAM ON WAGE EARNERS

REF: A. TEL AVIV 6495

B. TEL AVIV 6536

SUMMARY: HISTADRUT ACTION NOV 12 AUTHORIZING SERIES OF MEASURES AIMED AT REDUCING IMPACT OF GOVT'S NEW ECONOMIC MEASURES ON ITS MEMBERSHIP UNDERSCORES DIFFICULTIES FACING GOI IN EFFECTING CUTBACK IN LIVING STANDARDS IT DEEMS ESSENTIAL TO MEET CRITICAL ECONOMIC SITUATION. GOVT AND HISTADRUT NOW WORKING OUT ARRANGEMENTS FOR IMMEDIATE RELIEF TO LOW-INCOME GROUPS CAUSED BY SHARP PRICE INCREASE IN STAPLE COMMODITIES. REQUEST FOR PAYMENT OF FULL COST-OF-LIVING ALLOWANCE WILL POSE MORE SERIOUS PROBLEM IN MID-1975 THAN IN CASE OF PAYMENT DUE JANUARY 1975. THREAT OF LARGE-SCALE UNEMPLOYMENT IF PRESENT PROGRAM FAILS MAY SERVE AS RESTRAINT ON HISTADRUT EFFORTS TO FULFILL ALL OF ITS DEMANDS. END SUMMARY.

1. HISTADRUT'S 160 MEMBER EXECUTIVE COMMITTEE NOV 12 ADOPTED

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RESOLUTION CALLING FOR FULL PAYMENT OF COLA

DUE JANUARY 1975, AND NEGOTIATIONS WITH EMPLOYERS ON PARTIAL COLA TO BE PAID IN ADVANCE: SPECIAL PAYMENTS FOR LOW-INCOME GROUPS AND INCREASED FAMILY ALLOWANCE BEGINNING WITH FIRST CHILD, INSTEAD OF THIRD CHILD AS PROPOSED BY GOVT: REVIEW OF PRICE INCREASES ON STAPLE COMMODITIES: LEGISLATION TO IMPOSE ADDITIONAL TAXES ON WEALTHIER GROUPS, SUCH AS NET WORTH TAX AND HIGHER TAXES ON LAND SALES: AND GOVT POLICY TO MAINTAIN FULL EMPLOYMENT.

2. DEBATE ON RESOLUTION WAS PRECEDED BY SPEECHES BY PM RABIN AND FINMIN RABINOWITZ, BOTH OF WHO HAD MET EARLIER WITH 20 MEMBER HISTADRUT EXECUTIVE BUREAU IN FUTILE EFFORT TO MODIFY HISTADRUT POSITION. RABIN STRESSED GRAVE SECURITY, POLITICAL AND ECONOMIC SITUATION IN ISRAEL: NEED FOR SACRIFICE: AND GREATER EFFORTS TO INCREASE PRODUCTIVITY. HE AGREED IN PRINCIPLE TO SPECIAL PAYMENTS FOR LOW-INCOME GROUPS AND CONSIDERATION OF FURTHER LEVIES OF HIGH INCOME GROUPS. RABINOWITZ REITERATED STATISTICS ON ISRAEL'S CRITICAL ECONOMIC SITUATION AND WARNED OF GRIM CONSEQUENCES OF MASS UNEMPLOYMENT IF NEW ECONOMIC PROGRAM FAILS.

3. SPEAKING FOR ALIGNMENT FACTION IN HISTADRUT, GENERAL SECRETARY YERUHAM MESHUL FOCUSED ON GREATER EQUALITY OF SACRIFICE, PROTECTION OF LIVING STANDARDS OF LOW-INCOME GROUPS, AND RETENTION OF FULL COLA PAYMENTS TO MAINTAIN INDUSTRIAL PEACE AND AVERT SOCIAL UNREST. LIKUD SPOKESMAN ATTACKED GOVT ECONOMIC POLICY AND CALLED FOR IMMEDIATE, FULL COLA PAYMENT. ACCUSATION BY LIKUD SPEAKER THAT THOSE WHO SUPPORT ALIGNMENT ARE TRAITORS TO WORKING CLASS TRIGGERED STORMY CLASH BETWEEN LIKUD AND ALIGNMENT DELEGATES. SPOKESMEN FOR BLACK PANTHERS, MOKED, AND NEW COMMUNISTS CALLED FOR EVEN MORE LIBERAL POLICIES IN FAVOR OF LOW-INCOME GROUPS. PRESENCE OF LARGE GROUP OF PLANT-LEVEL WORKER REPRESENTATIVES THREATENING INDUSTRIAL ACTION IF DEMANDS NOT MET ADDED TO HIGH-LEVEL TENSION MARKING SIX-HOURS MEETING.

4. PROBLEM OF LOW-INCOME GROUPS CAUSED BY SHARP RISE IN PRICE OF STAPLE COMMODITIES BY AVERAGE OF NEARLY 100 PERCENT IS FIRST PRIORITY OF HISTADRUT-GOVT NEGOTIATIONS. REPRESENTATIVES NOW MEETING TO WORK OUT AGREED INCREASES IN FAMILY ALLOWANCES
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AND PAYMENTS TO PENSIONERS, WELFARE RECIPIENTS, ETC.

5. SENIOR HISTADRUT LEADERS BELIEVE JANUARY COLA SHOULD NOT POSE SERIOUS THREAT TO AUSTERITY PROGRAM. EVEN WITHOUT CONSIDERING INFLATION FOLLOWING IMPLEMENTATION ON EW ECONOMIC MEASURES, COLA PAYMENT WILL BE AROUND 30 PERCENT OF FIRST IL 1,000 BASE PAY. AS AVERAGE TOTAL SALARY, INCLUDING FRINGE BENEFITS IS CLOSE TO IL 2,000 PER MONTH, THIS REPRESENTS

AROUND 15 PERCENT AVERAGE TOTAL PAY HIKE. INCLUDING IMPACT OF NEW ECONOMIC MEASURES ON CONSUMER PRICE INDEX WILL ADD ANOTHER THREE TO FOUR PERCENT INCREASE IN COLA PAYMENT DUE TO SYSTEM OF COMPUTING COLA ADJUSTMENTS ON BASIS OF TWELVE MONTH AVERAGES. EMPLOYERS NO DOUBT WILL OBJECT, BUT GOVT LIKELY TO AGREE TO SOME COMPROMISE FORMULA TO MAINTAIN INDUSTRIAL PEACE.

6. MORE SERIOUS PROBLEM WILL LOOM IN JULY 1975, WHEN FULL IMPACT OF NEW ECONOMIC MEASURES WILL BE FELT IN COMPUTATION OF COLA INCREASES. HISTADRUT LEADER TOLD REPORTING OFFICER THAT HISTADRUT WILL REVIEW SITUATION AT THAT TIME IN CONTEXT OF BOTH INFLATION AND POSSIBLE RISE IN UNEMPLOYMENT. SHOULD UNEMPLOYMENT OF FIVE TO SIX PERCENT DEVELOP, ATMOSPHERE FOR RESTRAINT ON PARTY OF HISTADRUT FOR COLA INCREASES MAY PREVAIL.

7. COMMENT: HISTADRUT RESPONSE TO NEW ECONOMIC EMERGENCY MEASURES UNDERSCORES ONCE AGAIN DIFFICULTIES OF GOVT EFFECTING SIGNIFICANT CUTBACKS IN LIVING STANDARDS. PUBLIC FULLY AWARE OF NATION'S CRITICAL ECONOMIC SITUATION. BUT HISTADRUT TOP LEADERSHIP, PRESSURED BY WELL-ORGANIZED RANK AND FILE PROTEST, MAINLY FROM AFRO-ASIAN COMMUNITY, AND OPPOSITION POLITICAL PARTY PRESSURES, FOUND NO ALTERNATIVE BUT TO SEEK EVERY EFFORT TO PROTECT INTERESTS OF ITS MEMBERSHIP (SOME 80 PERCENT OF WAGE EARNERS). THEIR POSITION IS RATIONALIZED BY CONVICTION THAT ECONOMIC INEQUITIES EXIST AND SOCIAL GAP SHOULD NOT BE WIDENED BY INFLATION. WHILE HISTADRUT DEMANDS MAY HAVE LIMITED ADVERSE IMPACT ON EARLY STAGES OF NEW ECONOMIC PROGRAM, CRUNCH WILL COME IN MID-1975, IF NOT SOONER. SOME OBSERVERS WARN THAT IF SIGNIFICANT CONCESSIONS, ARE MADE, HOWEVER, PARTICULARLY TO OTHER THAN LOW-INCOME GROUPS, THIS WILL HAVE ADVERSE PSYCHOLOGICAL EFFECT ON PUBLIC'S READINESS TO SUPPORT AUSTERITY PROGRAM.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, RESOLUTIONS, LABOR UNIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TELAV06562
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740327-0594
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741145/aaaabmip.tel
Line Count: 155
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A. TEL AVIV 6495
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 20 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 AUG 2002 by WorrelSW>; APPROVED <13 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: HISTRADRUT SEEKS TO MODERATE IMPACT OF GOVT'S NEW ECONOMIC PROGRAM ON WAGE EARNERS
TAGS: ELAB, IS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005